

Selecting a Retirement Plan

Selecting a retirement plan is an important decision, requiring a thorough understanding of the various options and careful consideration of your future financial commitments. The staff of the Kentucky Teachers' Retirement System (KTRS) is available to assist you as much as possible in making a wise decision by providing you with information about how the various retirement plans work.

You should be familiar with certain facts that generally apply to KTRS retirement plans:

1. Some KTRS retirement plans (also referred to as "options") provide an annuity in the form of a monthly payment for your designated beneficiary for the rest of your beneficiary's life in the event of your death. These "beneficiary payments" should not be confused with "survivor benefits" that are paid to eligible survivors in the event of the death of an active contributing member who has not yet retired. Only beneficiary payments, not survivor benefits, are available for survivors of retirees. If you wish to provide an annuity for a survivor, you must select a retirement plan that provides beneficiary payments in the event of your death. If you select such a retirement plan, you will need to provide KTRS a copy of your beneficiary's official, government certified birth certificate.
2. The beneficiary of a retirement plan does not have to be related to the retiree. Members who select Option I or Option II may change their beneficiary any time after their initial retirement date without changing their retirement plan.
3. Before selecting a plan of payment, you and your beneficiary should have thorough medical examinations. The plan selected may well depend on the physical condition of you and your beneficiary.

4. or many of you, annuities from KTRS will constitute a major portion of your retirement income. Selecting the plan under which KTRS will pay your retirement income is one of the most important decisions you will make. The final decision must be made at the time of retirement, based upon your individual circumstances at that time. A thorough understanding of your rights and privileges in advance of retirement will assist you in deciding wisely. KTRS staff will work with you to assure that all retirement plans are fully understood. The final decision, however, must rest with you.

Changing Your Retirement Plan

You may be able to change your retirement plan if you experience one of the qualifying events as follow:

1. You marry or remarry after your effective date of retirement;
2. Your beneficiary dies;
3. Your marriage ends by divorce, annulment, or dissolution and your spouse is the named beneficiary. This qualifying event is effective on the *first* day that an order is entered by a court terminating your marriage and restoring you to the status of a non-married person.

If you have experienced one of these qualifying events and you are otherwise eligible to change your retirement plan, you will have 60 days from the date of the qualifying event to make the change by filing with KTRS the appropriate form. In addition to the appropriate KTRS form, you will also be required to file copies of any relevant documentation establishing that a qualified event has occurred such as an order of the court terminating your marriage or a certificate of marriage.

There are several conditions and limitations in changing retirement plans that cannot be fully discussed within the space of this

pamphlet. Accordingly, if you experience a qualifying event and are interested in changing your retirement plan, you should contact KTRS immediately for further details.

OPTION I SLA with Refundable Balance

The Straight Life Annuity (SLA) provides you with the highest retirement allowance over your lifetime, with annuity payments ceasing upon your death. If, upon your death, the total monthly retirement payments you received are less than the remaining contributions in your account at retirement, a lump sum settlement will be made to your estate or beneficiary.

You may change to a joint-survivor annuity if you marry or remarry after retirement. A copy of your official, government certified marriage certificate must accompany your application for a joint-survivor annuity. The effective date of your new plan selection will be the first of the month following receipt of the application by KTRS.

A joint-survivor annuity with your new spouse as beneficiary will reduce your monthly annuity, but it will provide a continuing benefit to your new spouse after your death. In some cases, the reduction is substantial. **You have 60 days from the date of the marriage to file the necessary paperwork with KTRS changing your retirement plan.**

OPTION II Ten Years Certain and Life Thereafter

This option provides you with a monthly retirement annuity that is somewhat smaller than the annuity provided under Option I. Under Option II, in the event of your death within the first ten (10) years of your retirement, your beneficiary would receive the same monthly annuity that you were receiving at the time of your death until the expiration of the ten (10) year period. If you survive beyond the ten (10) year period, you will continue to receive for the rest of your life the monthly retirement annuity that you were

receiving during the ten (10) year period, but your beneficiary will no longer be eligible for a monthly annuity in the event of your death. The age of the beneficiary is of no consequence under this option.

This option is of particular value to you if you wish to insure that a guaranteed amount will be returned over a specified length of time.

Years certain payment plans of five (5), fifteen (15) and twenty (20) years are also available.

OPTION III Joint - Survivor Annuity

This option provides you with a smaller annuity than that provided under Option I, but provides your designated beneficiary, if still living at the time of your death, with a lifetime annuity equal to the annuity that you were receiving at the time of your death. As this option provides a retirement allowance to your surviving beneficiary for the rest of your surviving beneficiary's life, the greater the difference between your and your beneficiary's ages, the smaller the retirement allowance that you will receive. This option is most useful when you have other income available that will cease upon your death or when your beneficiary's primary income will be the KTRS annuity.

In the event of divorce, annulment, or marriage dissolution, you may return to the Option I plan if your spouse was named as beneficiary. If you remarry after a divorce, you may select a new plan to provide benefits to your new spouse. The annuity will be actuarially equivalent to your Option I benefit. **You have 60 days from the date of the divorce, annulment, or the marriage dissolution to make this change with KTRS and return to the Option I plan.**

If your beneficiary predeceases you, you cannot return to the Option I plan. You must continue receiving the reduced annuity. If you marry after retirement, you can provide your new spouse with a joint-survivor annuity. The new annuity is based on your reduced annuity, adjusted to the ages of you and your new beneficiary. **You have 60 days from the**

date of marriage to make this change with KTRS.

***NOTE:** Under this option, if you select as your beneficiary a person other than your spouse, an Internal Revenue Service regulation may require a substantial reduction in the benefit your beneficiary would be eligible to draw. Please contact KTRS to determine whether your non-spouse beneficiary designation is affected by this regulation.*

**OPTION III(a)
Joint - Survivor Annuity
with “Pop-Up” Option**

This option is the same as Option III except that if your beneficiary dies before you, your annuity will increase to the Option I amount. If you marry after the death of your beneficiary, you may select a joint - survivor option to provide benefits to your new spouse. The annuity will be adjusted so that it is of an actuarially equivalent value to the benefits you would receive under an Option I plan. You have 60 days from the date of marriage to make this change with KTRS.

***NOTE:** Under this option, if you select as your beneficiary a person other than your spouse, an Internal Revenue Service regulation may require a substantial reduction in the benefit your beneficiary would be eligible to draw. Please contact KTRS to determine whether your non-spouse beneficiary designation is affected by this regulation.*

**OPTION IV
Joint - Survivor Annuity
One-Half Benefit to Beneficiary**

Under the Joint-Survivor Annuity Plan, you elect a reduced lifetime annuity to provide a lifetime annuity to your beneficiary upon your death. Your beneficiary's annuity is one-half of the amount that you were receiving.

The theory behind this option is that it costs more for two to live than for one. Also, in many instances, upon your death, other income may be available to your beneficiary. This option provides a larger retirement allowance during your lifetime than Option III

does and still provides something for your named beneficiary. Also, proceeds of life insurance policies or trust funds may be available to your beneficiary to supplement the KTRS retirement allowance they would receive. Again, the age of your beneficiary has a direct bearing on the annuity amount.

The restrictions that apply to Option III regarding changing plans also apply to this plan.

**OPTION IV(a)
Joint - Survivor Annuity
One-Half Benefit to Beneficiary
with “Pop-Up” Option**

This option is the same as Option IV except if your beneficiary dies before you, your annuity increases to the Option I amount. The restrictions that apply to Option IIIa regarding changing plans also apply to this plan.

**OPTION V
Other Payment**

In most instances the payment plans provided in Options I through IV(a) will meet the needs of the members and their estates. However, the Board of Trustees recognizes that there may be times when some alternate plan of payment is desirable.

Option V allows you to create an alternative retirement plan and designate as beneficiary any person(s) having an insurable interest in your life. Such a plan shall be certified by the actuary to be of an actuarial equivalent value to the annuity provided under Option I and approved by the Board of Trustees.

This option, when considered with the other plans available, makes it possible for the member to provide almost any kind of payment plan desired.

The changes you can make under this option can be provided to you at retirement. Please contact KTRS if you desire more information.

**BENEFICIARY’S
BIRTH RECORD**

An official, government certified birth certificate of your beneficiary is required if you select a “Joint - Survivor Annuity” (Options III, III(a), IV, IV(a)).

This pamphlet is intended for general informational purposes only. In the event of conflict between the provisions of this pamphlet and the relevant law, the latter will prevail. As the law is subject to change, you should contact KTRS prior to making important retirement decisions.

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY**
479 VERSAILLES ROAD
FRANKFORT, KY 40601-3800
TELEPHONE - (502) 848-8500
www.ktrs.ky.gov

**Kentucky Teachers'
Retirement System**

**RETIREMENT
OPTIONS**



- ◆ **SELECTING A
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RETIREMENT PLAN**
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*Based on Statutes & Regulations
effective July 1, 2006*